

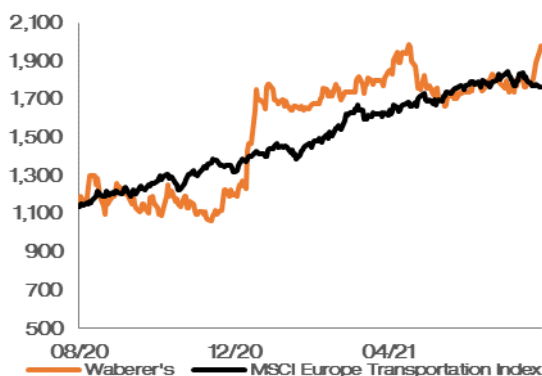
Waberer's

BUY (prev. NEUTRAL)

Target price : HUF 3,400 (prev. HUF 2,170)

Share price: HUF 1,950

EUR million	2020	2021F	2022F
Revenue	569	595	612
EBITDA	34	72	76
EBIT	-24	23	27
Net profit	-42	15	19
Profit margin	-7%	3%	3%
Truck number	3 021	2,843	2,851
P/E	n.a	6.5x	5.2x
EV/EBITDA	6.0x	3.0x	2.7x
EBITDA/truck [ths EUR]	11.2	25.4	26.7



Share price close as of 09/08/2021	HUF 1,950	Bloomberg	WABERERS HB
Number of shares [million]	17.7	Reuters	WABE.HU
Market capitalization [HUF bn/EUR mn]	34.6/98.0	Free float	28%
Daily turnover 12M [HUF million]	26	52 week range	HUF 1,065 – 1,980

Recovery became reality sooner than expected

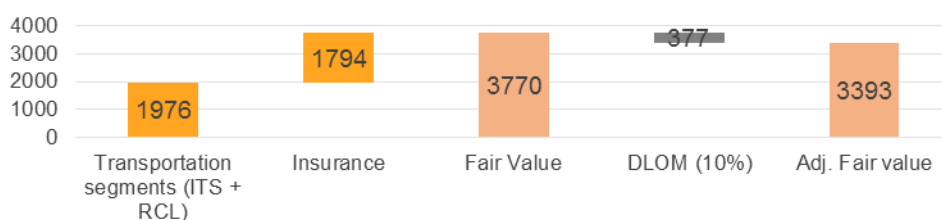
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- We upgrade Waberer's to Buy from Neutral and materially raise our TP to 3,400 HUF/sh from 2,170 HUF/sh, leaving a 74% upside from the previous closing share price. This reflects (1) the unexpectedly strong recovery in the ITS, which achieved positive EBIT in Q2/21 after 13 consecutive quarter, (2) as well as broadly stable quarterly operating profits at RCL and Other segments. Our new estimates are significantly ahead of previous figures.
- Waberer's reported an encouraging net income of EUR 6.1mn at Group level for Q2/21 as the recovery continued at all segments despite supply chain disruptions, which haven't affected financial results materially so far this year. Despite Waberer's' major automotive and electronics partners expecting global component and chip shortages, the management has proven its ability to turnaround the ITS and retain attractive margins at RCL and WHB.
- We expect Waberer's to reach a net income of EUR 15mn and EUR 19mn (vs. 12mn) in 21E/22E, respectively, implying a FY1 P/E of 5.2x, on our estimates. As a result, if the management proves its ability to deliver improving earnings, the stock looks dirt cheap.

Waberer's - Fair Value per share [HUF]



Source: Concorde Research

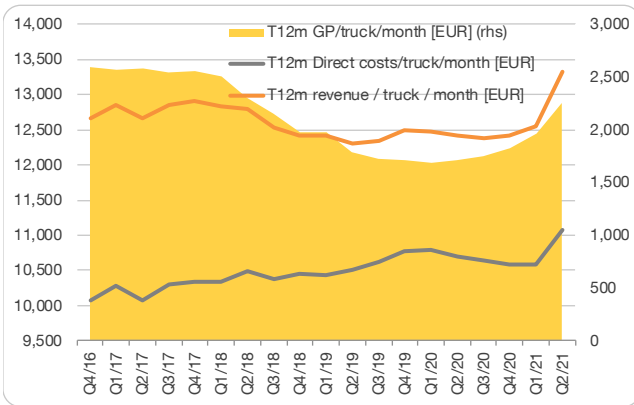
CHANGES IN THE INVESTMENT CASE

- **Earnings revision in short.** After H1/21 results, we made some positive, but meaningful adjustments to our estimates for the ongoing year, with 22E and 23E group results having been slightly changed. Our more optimistic stance is driven by the better operational performance of the ITS segment, which reached EBIT-positive levels much sooner-than-expected. (Please see charts on Page 3.) Taking into consideration the steep recovery of the ITS, as well as stable RCL and Insurance arms of the Group, **we expect an EPS of HUF 299 and HUF 374 for 21E and 22E, which translates into a FY0/FY1 P/E of 6.5x/5.2x, respectively.** As a result, we upgrade Waberer's to BUY from Neutral and raise our TP to 3,400 HUF from HUF 2,170 a share, which leaves c.74% upside from the previous closing share price. We do believe that Waberer's is undervalued after the restructuring and the stock's valuation looks attractive again despite industry-wide challenges.
- **Recovery continued.** We left estimates for the large EBIT contributor RCL and Other segments (Insurance or WHB) broadly unchanged, but significantly improved our 2021 net income estimate for ITS to EUR -5mn from EUR -11mn. ITS achieved an EBIT of EUR 0.7mn in Q2/21, which was the first positive quarterly EBIT since Q4/17. As a result, H1/21 EBIT surprised to the upside with a total of EUR -1.2mn. Given the recent trend in the largest business unit in revenue terms, **we are confident that Waberer's' International segment will reach narrower than previously expected losses for the rest of the year. Having said that, we conservatively leave some buffer, resulting in an EBIT loss estimate for H2/21 of EUR -1.1mn** as (1) we continue to see elevated risks predominantly due to chip shortages, which could pose significant challenges to the automotive and electronics industries, resulting in lower transportation volumes. (2) Moreover, we also stress that August and December are seasonally weak months for the transportation sector as production halts at major facilities due to mandatory maintenance works or holiday season.
- **ITS is well on track.** We pointed out in our initial coverage research that ITS, especially the Hungary-based operations, was a loss-making, value-destroying business line of the Company. However, **2021 looks to become the turning point, sooner than we expected. The new trade lane model, which was successfully introduced in H2 last year, has visibly created significant efficiency gains, led to improving margins, smaller losses.** Despite current external challenges and risks, the management is in a comfortable situation as cash burn has significantly slowed down at the segment over the last couple of months. In addition, RCL and Insurance businesses continue to bring stable profits. Today, Waberer's focuses on providing value accretive, higher margin solutions to blue chip customers, who require special services in both Western European and regional markets.
- **Business development.** During Monday's conf. call, the management gave a status update on business development for future growth. Group CEO and CFO emphasized that Waberer's is looking for high-margin services instead of price based competition, while paying attention to decreasing carbon footprint and optimizing operational costs. As part of the strategy, **the Company intends to develop a 50k sq m own warehouse during 2022 and 2023, which is expected to provide significantly lower operational cost base compared to currently rented sites.** Besides that, **the management envisaged regional growth as well. CFO hinted their view that Waberer's is in a good position to act as a regional integrator in the CEE and SEE regional logistics market in mid-term.** They have launched the market screening process and seen significant LT growth opportunities.
- **Financial stress may relax.** We earlier raised concerns over indebtedness and covenants, but the Group remained financially stable despite the pandemic thanks to debt moratoria. Thanks to the improved cash generation, net leverage ratio fell to 1.7x as at the 30th of June, and we expect the figure to drop to 1.6x by year-end. In addition, **the Board has begun the process to take advantage of the popular financing tool of Hun. Gen Bank (MNB). Scope assigned a B+/stable rating in June 2021, which made it possible for the Co. to apply for MNB's BGS program.** If a bond issuance took place, the Co. would get rid of strict covenants, in our view.

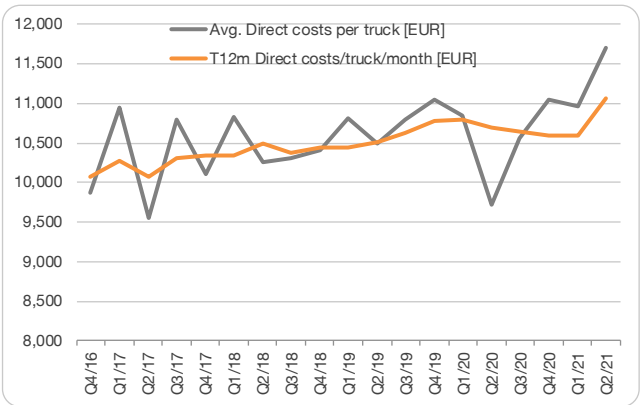
ITS HAS VISIBLY RECOVERED

- International Transportation Segment**, especially the Hungary-based operations, was a loss-making, value-destroying business line of the Company. However, 2021 may ultimately become the long-awaited turning point, much sooner than we expected. The new trade lane model, which was successfully introduced in H2 last year, has visibly created significant efficiency gains. The management has done its homework, enforced price hikes at its major customers to place Waberer’s operations on a profitable basis. In addition to higher revenues, significant indirect cost (OPEX) reduction has been carried out, which is expected to result in around 25% lower OPEX in 2021 vs. 2019 levels. As a result, operating close to EBIT-neutral levels looks sustainable, in our view, which is also underpinned by the fact that the steep rise in oil prices hasn’t affected ITS margins negatively during the last 12 months thanks to the so-called “fuel clause” system.

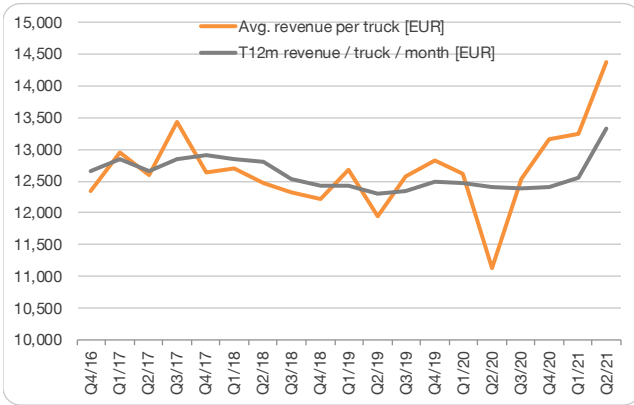
ITS avg. gross profit is close to 2017 levels despite...



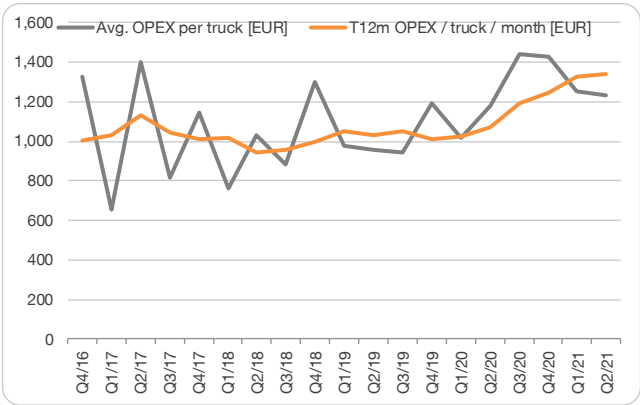
...cost inflation has been material over the last 12 months...



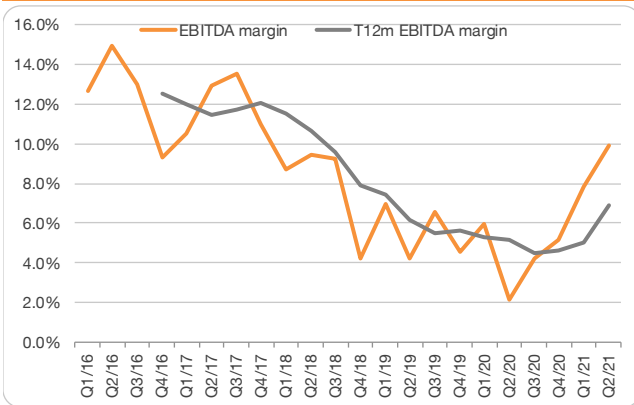
...which was driven by price hikes and better utilization.



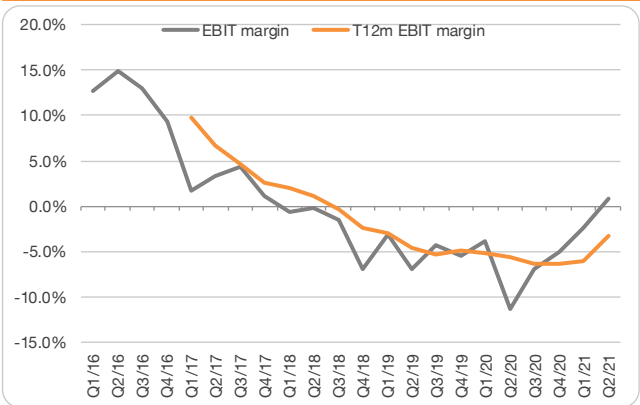
Meanwhile, a fixed cost reduction has been carried out



As a result, EBITDA margin strongly recovered and...



...EBIT margin turned to positive for the 1st time since Q4/17

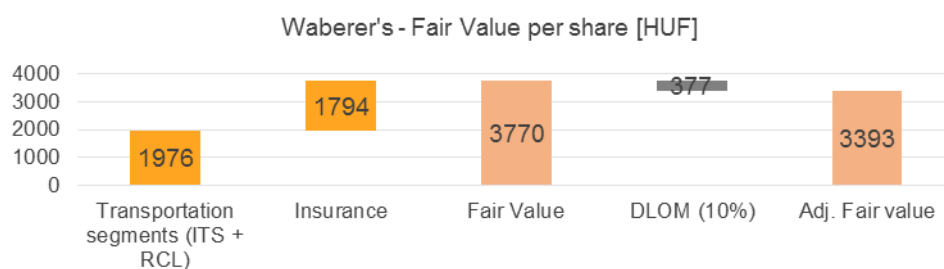


Source: Waberer’s, Concorde Research

- **We illustrate on some charts above that ITS has strongly recovered over the last couple of quarters.** This was largely driven by price hikes and increasing utilization of the fleet. As a result of H1/21 operational performance, the management has irrefutably proven that the introduction of the new trade lane model in 2020 was a successful step toward higher profitability. The Management expects today's margins are sustainable, while envisaging gradually improving performance. Due to seasonality, we however expect an EBIT loss of EUR 1.1mn for the second half of 2021, but continue to expect growing margins on an annual basis going forward.

EV ESTIMATE FOR THE SEGMENTS

- **We raise our DCF-based target Equity Value estimate for the Transportation segments from 1,061 HUF/sh to 1,976 HUF/sh.** In line with our arguments, we expect materially better results at the International segment of Waberer's. The difference between the old and new EV estimate reflects the improving operational results at both ITS and RCL, which are now expected to come ahead of our previous estimates.
- **We also raise our target Equity Value for the Other Segment, which includes the exceptionally profitable Insurance unit, to HUF 1,794 HUF/sh (vs. our previous est. of 1,353 HUF/sh) due to solid H1/21 earnings.** Our multiple-based TP is based on peer group's FY1 P/E of 9.2x and 2022E EPS of HUF 195.
- **We continue to apply a 10% liquidity discount for equity valuation because of very low daily stock trading volumes.**



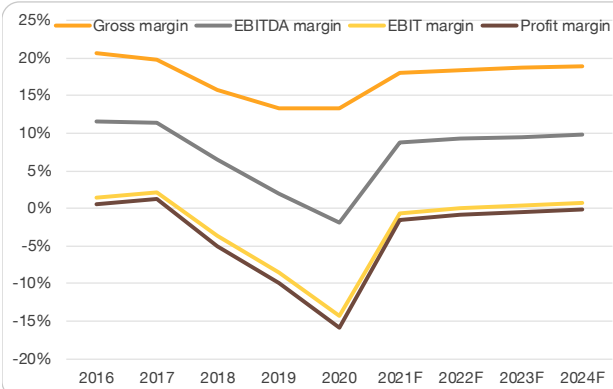
Source: Concorde estimate

Risks

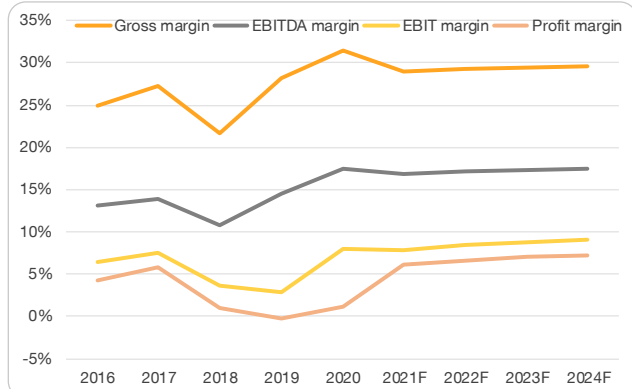
- **Market risks** - changing macroeconomic environment or sector-specific conditions have significant influence on the financial performance
- **Execution risk** - the Company goes through a substantial transformation
- **Regulatory risk** – the Company is exposed to the changes in the regulatory environment where it operates in Europe
- **Financial risk** – the Company has to comply with strict covenants as well as is exposed to FX translation risk
- **Insurance-specific risk**

WABERER'S IN CHARTS

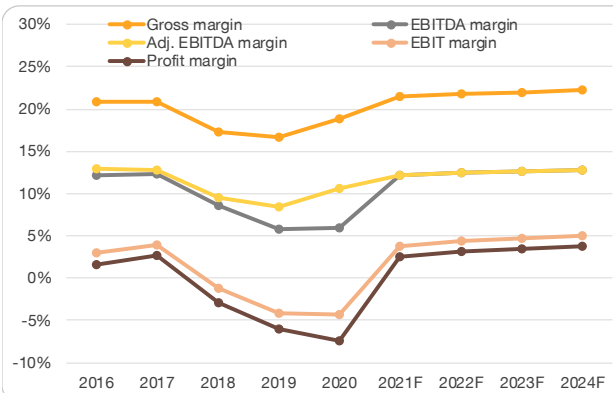
ITS margins



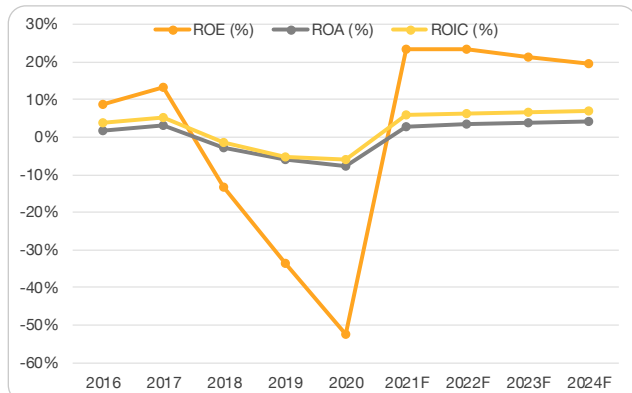
RCL margins



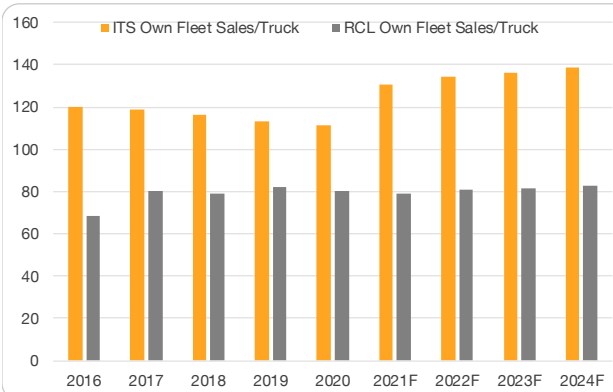
Group margins



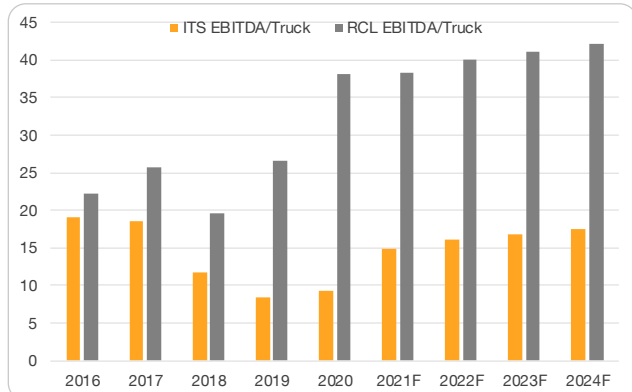
Group profitability



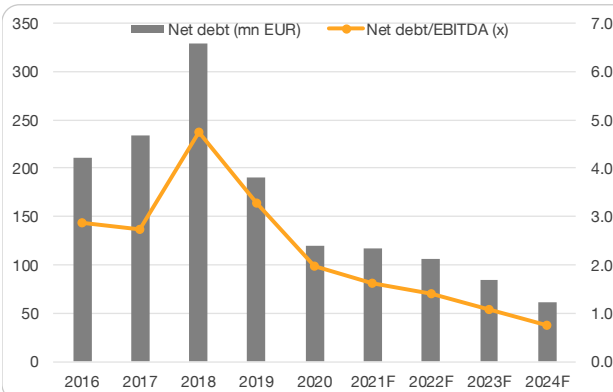
Avg. revenues per truck [ths EUR]



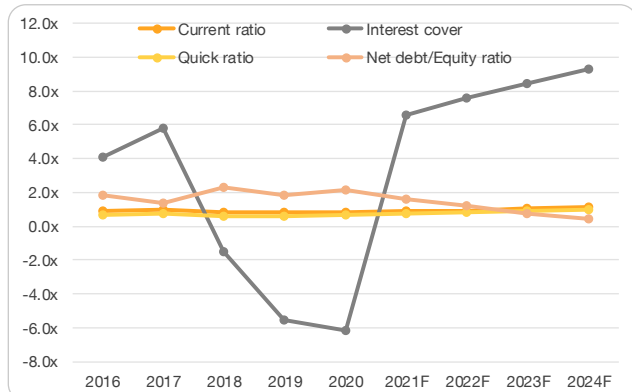
Avg. EBITDA per truck [ths EUR]



Indebtedness



Liquidity ratios



Source: Waberer's, Concorde Research

APPENDIX

PROFIT AND LOSS [EUR MILLION]

	2020	2021 old	2021 new	2022 old	2022 new	2023 old	2023 new
Revenue	569	586	595	609	612	626	625
OPEX	-462	-464	-467	-477	-478	-489	-488
Gross profit	107	122	128	133	133	138	137
EBITDA	34	61	72	70	76	74	79
Non-recurring items	27	0	0	0	0	0	0
Recurring EBITDA	60	61	72	70	76	74	79
Depreciation and amortization	-58	-50	-49	-50	-50	-50	-50
EBIT	-24	11	23	20	27	24	29
Net financial result	-13	-3	-3	-4	-4	-4	-3
EBT	-37	8	19	17	23	20	26
Tax	-4	-4	-4	-4	-4	-5	-5
Net Income	-42	4	15	12	19	16	21
Recurring Net Income	-15	4	15	12	19	16	21

BALANCE SHEET [EUR MILLION]

	2017	2018	2019	2020	2021F	2022F	2023F
Property	21	69	69	61	64	67	67
Vehicles	294	322	154	93	93	93	93
Total property, plant and equipment	324	399	228	158	161	164	164
Intangible assets	62	61	50	34	34	34	34
TOTAL NON-CURRENT ASSETS	453	543	389	166	166	166	166
Inventories	4	4	4	3	3	3	3
Trade receivables	119	114	112	73	98	104	106
Cash and cash equivalents	59	58	51	76	79	89	110
TOTAL CURRENT ASSETS	229	231	217	175	203	220	243
TOTAL ASSETS	681	774	606	499	530	550	573
Shareholder's equity	163	139	98	56	71	90	111
Non-controlling interest	8	0	0	0	0	0	0
TOTAL SHAREHOLDERS' EQUITY	175	145	104	56	71	90	112
Long-term portion of leasing	207	261	129	102	102	102	102
TOTAL LONG-TERM LIABILITIES	278	342	237	224	224	224	224
Short-term loans and borrowings	5	18	49	32	32	32	32
Short-term portion of leasing	81	106	65	62	62	62	62
Trade payables	114	133	118	82	98	99	101
TOTAL CURRENT LIABILITIES	228	286	266	218	234	235	238
TOTAL EQUITY AND LIABILITIES	681	774	606	499	530	550	573

CASH-FLOW STATEMENT [EUR MILLION]

Simplified Cash Flow	2017	2018	2019	2020	2021F	2022F	2023F
EBIT	27	-8	-29	-24	23	27	29
D&A	56	71	69	58	49	50	50
Working cap	9	23	-12	1	-9	-5	0
Others	-12	-9	19	41	-8	-8	-8
Operating Cash-Flow	80	77	47	75	55	63	71
CAPEX (incl. Lease payment)	-91	-76	-85	-34	-52	-53	-50
Investing Cash-Flow	-11	1	-37	41	2	11	21
Financing Cash-Flow	39	-2	31	-16	0	0	0
Changes in cash	32	59	58	51	76	79	89
Cash and cash eq. at e-o-y	59	58	51	76	79	89	110

KPIS

	2017	2018	2019	2020	2021F	2022F	2023F
Price (HUF) (year-end)	4 700	2 300	1 080	1 700	1,950	1,950	1,950
EURHUF (year-end)	309	319	330	363	353	353	353
EPS (HUF)	322	-377	-780	-858	299	374	427
EPS growth (%)	99%	-217%	107%	10%	-135%	25%	14%
EPS (EUR)	1.0	-1.2	-2.4	-2.4	0.8	1.1	1.2
EPS growth (%)	100%	-214%	100%	0%	-136%	25%	14%
DPS (HUF)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
DPS (EUR)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
BVPS (HUF)	2 923	2 612	1 931	1 152	1,420	1,794	2,222
BVPS growth (%)	56%	-11%	-26%	-40%	23%	26%	24%
BVPS (EUR)	9.5	8.2	5.9	3.2	4.0	5.1	6.3
BVPS growth (%)	57%	-13%	-29%	-46%	27%	26%	24%
TBVPS (HUF)	1 833	1 508	1 006	449	736	1,110	1,538
TBVPS growth (%)	24%	-18%	-33%	-55%	64%	51%	38%
TBVPS (EUR)	5.9	4.7	3.0	1.2	2.1	3.1	4.4
TBVPS growth (%)	25%	-20%	-36%	-59%	68%	51%	38%
Total no. of shares (mln)	17.7	17.7	17.7	17.7	17.7	17.7	17.7
Total no. of shares w/o Treasury	17.4	17.4	17.5	17.5	17.5	17.5	17.5
Book Value	167	145	104	56	71	90	111
Tangible Book Value	105	84	54	22	37	56	77
Market capitalization (EUR)	269	128	58	83	98	98	98
-Cash & Equivalents	-59	-58	-51	-76	-79	-89	-110
+Minority	8	0	0	0	0	0	0
+Total debt	293	387	242	195	195	195	195
Enterprise value	512	457	249	202	215	204	183
Invested Capital	535	596	405	343	358	377	398

Source: Concorde's estimate

BREAKDOWNS

REVENUE BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	74%	74%	69%	57%	57%	57%	57%
RCL	18%	18%	21%	30%	30%	30%	31%
Insurance	7%	8%	10%	13%	13%	12%	12%
EBITDA BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	72%	67%	48%	34%	42%	43%	43%
RCL	20%	23%	37%	50%	42%	42%	42%
Profit margin	8%	10%	15%	16%	15%	14%	14%
EBIT BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
ITS	39%	n.a	n.a	n.a	n.a	1%	5%
RCL	35%	n.a	n.a	n.a	n.a	59%	57%
Insurance	25%	n.a	n.a	n.a	n.a	40%	38%
COST BREAKDOWN	2017	2018	2019	2020	2021F	2022F	2023F
Direct wages	16%	16%	17%	18%	19%	19%	19%
Indirect wages	5%	5%	5%	6%	5%	5%	5%
Fuel	18%	18%	16%	12%	13%	13%	13%
Toll & transit	17%	17%	16%	14%	15%	15%	15%
Subcontractors & reinsurance	22%	22%	17%	16%	21%	21%	21%
Depreciation	9%	9%	10%	10%	9%	8%	8%
Others	12%	13%	19%	22%	19%	19%	19%

Source: Concorde's estimate

MARGINS, MULTIPLES, RATIOS

GROUP margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	21%	17%	17%	19%	21%	22%	22%
EBITDA margin	12%	8%	6%	6%	12%	12%	13%
Adj. EBITDA margin	13%	9%	8%	11%	12%	12%	13%
EBIT margin	4%	-1%	-4%	-4%	4%	4%	5%
Profit margin	3%	-3%	-6%	-7%	3%	3%	3%
ITS margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	20%	16%	13%	13%	18%	18%	19%
EBITDA margin	11%	7%	2%	-2%	9%	9%	10%
Adj. EBITDA margin	12%	8%	6%	6%	9%	9%	10%
EBIT margin	2%	-4%	-9%	-14%	-1%	0%	0%
Profit margin	1%	-5%	-10%	-16%	-2%	-1%	-1%
RCL margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	27%	22%	28%	31%	29%	29%	29%
EBITDA margin	14%	11%	14%	18%	17%	17%	17%
EBIT margin	8%	4%	3%	8%	8%	8%	9%
Profit margin	6%	1%	0%	1%	6%	7%	7%
Insurance margins	2017	2018	2019	2020	2021F	2022F	2023F
Gross margin	14%	13%	15%	14%	17%	17%	17%
EBITDA margin	14%	11%	13%	13%	15%	14%	14%
EBIT margin	13%	11%	13%	13%	14%	14%	14%
Profit margin	10%	9%	11%	12%	13%	13%	13%
Multiples	2017	2018	2019	2020	2021F	2022F	2022F
P/E	14.6x	n.a	n.a	n.a	6.5x	5.2x	4.6x
P/BV	1.6x	0.9x	0.6x	1.5x	1.4x	1.1x	0.9x
P/TBV	2.6x	1.5x	1.1x	3.8x	2.7x	1.8x	1.3x
EV/CF	1.1x	4.6x	n.a	0.2x	4.3x	1.0x	0.4x
EV/sales	0.8x	0.6x	0.4x	0.4x	0.4x	0.3x	0.3x
EV/EBITDA	6.2x	8.0x	6.2x	6.0x	3.0x	2.7x	2.3x
Dividend yield (%)	0%	0%	0%	0%	0%	0%	0%
FCF yield (%)	10%	4%	-57%	50%	3%	11%	22%
Ratios	2017	2018	2019	2020	2021F	2022F	2023F
Sales growth (%)	18%	9%	-5%	-18%	4%	3%	2%
ROE (%)	13%	-13%	-34%	-52%	24%	23%	21%
ROA (%)	3%	-3%	-6%	-8%	3%	3%	4%
ROIC (%)	5%	-1%	-5%	-6%	6%	6%	7%
Net debt/EBITDA (x)	2.7x	5.1x	3.3x	2.0x	1.6x	1.4x	1.1x
Net debt (mn EUR)	234	327	191	119	117	106	85
CAPEX/Depreciation (x)	1.2x	1.3x	1.5x	0.6x	1.1x	1.1x	1.0x
Depreciation/Sales (%)	8%	9%	10%	10%	8%	8%	8%
Liquidity	2017	2018	2019	2020	2021F	2022F	2023F
Current ratio	1.0x	0.8x	0.8x	0.8x	0.9x	0.9x	1.0x
Interest cover	5.8x	-1.9x	-5.5x	-6.1x	6.5x	7.6x	8.4x
Quick ratio	0.8x	0.6x	0.6x	0.7x	0.8x	0.8x	0.9x
Net debt/Equity ratio	1.3x	2.3x	1.8x	2.1x	1.6x	1.2x	0.8x
Working Cap turnover days	2017	2018	2019	2020	2021F	2022F	2023F
Inventories	2	2	2	2	2	2	2
Receivables	65	57	59	47	60	62	62
Payables	71	72	66	56	60	59	59
Avg. returns [in EUR ths]	2017	2018	2019	2020	2021F	2022F	2022F
ITS EBITDA/Truck	19	12	8	9	15	16	17
RCL EBITDA/Truck	26	20	27	38	38	40	41
ITS Own Fleet Sales/Truck	118	116	113	111	130	134	136
RCL Own Fleet Sales/Truck	80	79	82	80	79	81	82

Source: Concorde's estimate

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Rating	Trigger
Buy	Total return is expected to exceed 20% in the next 12 months
Accumulate	Total return is expected to be in the range of 10-20%
Neutral	Total return is expected to be in the range of 10%-(-10%)
Reduce	Total return is expected to be in the range of -10%-(-20%)
Sell	Total return is expected to be lower than -20%
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Securities prices:

Prices are taken as of the previous day's close on the home market unless otherwise stated.

Valuations and risks:

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